AARP Real Possibilities

**Before the**

**Federal Communications Commission**

**Washington, D.C. 20554**

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| In the Matter of | ) | |
| | ) | |
| Lifeline and Link Up Reform and Modernization | ) | WC Docket No. 11-42 |
| | ) | |
| Telecommunications Carriers Eligible for Universal Service Support | ) | WC Docket No. 09-197 |
| | ) | |
| Connect America Fund | ) | WC Docket No. 10-90 |

# Comments of AARP

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## About AARP

AARP is a nonprofit, nonpartisan organization, with a membership of nearly 38 million, that helps people turn their goals and dreams into real possibilities, strengthens communities and fights for the issues that matter most to families such as healthcare, employment and income security, retirement planning, affordable utilities and protection from financial abuse. We advocate for individuals in the marketplace by selecting products and services of high quality and value to carry the AARP name as well as help our members obtain discounts on a wide range of products, travel, and services. A trusted source for lifestyle tips, news and educational information, AARP produces AARP The Magazine, the world's largest circulation magazine; AARP Bulletin; www.aarp.org; AARP TV & Radio; AARP Books; and AARP en Español, a Spanish-language website addressing the interests and needs of Hispanics. AARP does not endorse candidates for public office or make contributions to political campaigns or candidates. The AARP Foundation is an affiliated charity that provides security, protection, and empowerment to older persons in need with support from thousands of volunteers, donors, and sponsors. AARP has staffed offices in all 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. Learn more at www.aarp.org.

## Executive Summary

AARP commends the Commission on its efforts to address the evolution of technology, and to expand the definition of supported Lifeline services to ensure that low-income Americans have the opportunities afforded by broadband. AARP believes that the expansion of Lifeline to broadband is an essential piece in the technology-transition puzzle on which the Commission is working. However, AARP is concerned that great care be exercised so the highest level of benefits can be achieved. The NPRM raises many important and complex issues, and responding to the NPRM's questions is made all the more challenging by the interdependency among the issues raised. AARP hopes that the Commission takes a measured approach to reform, and also hopes that the Commission will not take any action that threatens the continued affordability of basic voice services for low-income Americans. The NPRM raises important issues that have the potential to take the Lifeline program on distinct and alternative new paths, such as whether or not to directly pay benefits to consumers or whether or not to utilize a national verifier. As a result of the numerous proposed changes, AARP urges the Commission to seek additional input from interested parties as the Commission moves to finalize the reformed Lifeline program.

Many new technologies and service delivery models for health care, financial services, shopping, community engagement, employment, caregiving, and connectedness are being developed. In some sectors and in rural areas, they may supplant traditional service models. As the marketplace becomes increasingly digital, it is essential that low income Americans have affordable access to broadband. But they should not be deprived of basic affordable voice service as a trade-off.

As the Commission considers how to structure an expanded Lifeline program, the Commission should pay special attention to the needs of seniors, as older Americans represent a large population with more limited broadband adoption. Any expansion of Lifeline to broadband should include safeguards that are designed to protect older populations that may be more vulnerable to unscrupulous and fraudulent practices.

AARP makes the following recommendations regarding questions raised in the NPRM.

- Service providers participating in the Lifeline program should be required to make a stand-alone voice service offering available to Lifeline customers at a reasonable rate. For wireline voice services, the basic service offering should include unlimited flat-rate local calling.

- AARP believes that consumers should be able to choose a high-quality wireless Lifeline alternative; however, AARP is opposed to a mandatory migration to wireless Lifeline.

- AARP believes that wireless Lifeline voice usage should be increased substantially, which will address the reasonably comparable standard, and will also reflect the costs of providing voice services which, as noted in the NPRM, have "declined drastically."[1]
- It is appropriate for the Commission to phase-in unlimited wireless voice as part of supported Lifeline programs. The Commission should revise the minimum Lifeline minutes to 500, and phase-in unlimited voice over a three-year period. As the NPRM points out, 500 minutes is an emerging promotional offering by wireless Lifeline providers.[2]
- AARP believes that text messages should be included in the wireless Lifeline offering, and that text allowances in the supported service should be substantial. Free unlimited texting should be part of any Lifeline offering, especially if voice continues to be restricted to a limited number of minutes.
- With regard to the expansion of the Lifeline program to broadband, AARP is supportive of the Commission's vision, however, AARP has substantial concerns associated with the approach outlined in the NPRM. A successful Broadband Lifeline program will require more than the application of program funds to establish a discount for broadband.
- To ensure that the benefits of broadband reach a broad segment of the low-income population, AARP believes that the Commission should first focus its efforts on the adoption of fixed broadband services. Fixed broadband is adopted at the household level, thus enabling broadband benefits for all household members, and reducing the potential for duplicative support.
- AARP believes that a multi-dimensional approach to Lifeline broadband is essential. Internet access without the necessary equipment is all but useless, and even with the needed equipment, absent proper education and training, the full benefits of broadband will not be recognized, and willingness to pay will remain low. In a report supporting the recent ConnectHome program, the President's Council of Economic advisor's notes that "closing the gap—between those who experience these social and economic benefits from Internet use, and those who do not—will require further efforts to reduce barriers in affordability, relevance, and computer literacy."[3] The Commission should take note of this message.
- The Commission faces a learning curve with regard to the support of broadband through the Lifeline program, and AARP believes that it will be more effective if the Commission starts small by working with service providers, perhaps on a regional basis, to develop

[1] NPRM, ¶39.
[2] NPRM, ¶16, referencing https://www.safelinkwireless.com/Enrollment/Safelink/en/NewPublic/index.html http://www.assurancewireless.com/public/moreprograms.aspx , among others.

[3] "Mapping the Digital Divide," Council of Economic Advisers Issue Brief, July 2015. https://www.whitehouse.gov/sites/default/files/wh_digital_divide_issue_brief.pdf

fixed broadband pilot projects that will help the Commission understand the various components, including costs, of a Lifeline broadband program that will successfully improve broadband subscription among low-income households.

- AARP recommends the following framework for broadband Lifeline pilot projects.

    - The Commission should implement a program that provides introductory service offers that are at either no cost or very low cost for a trial period (for example, six months). Following the trial, AARP believes that a monthly charge of no more than $10 per month is appropriate. Data speeds for the supported service, to be reasonably comparable with non-Lifeline offerings, should be 10 Mbps down and 2 Mbps up. Data caps, if they are allowed at all for fixed broadband, should provide ample download capabilities. If data caps apply, the Commission should ensure that the cost for additional data should be comparable to the costs provided under the program and that the customer is prompted in advance of the cost for each additional download or upload in excess of the cap.

    - The Commission must also address the availability of the equipment consumers need to use a broadband connection. Programs that make low-cost computers or tablets available to low-income households are appropriate. The results from the Commission's Broadband Pilot indicate that low-cost computers are an integral component of the process.[4]

    - The Commission should encourage participating Lifeline broadband providers to provide educational outreach to inform non-adopters of the potential benefits of broadband, and to offer training of how to utilize (1) the equipment necessary to experience the benefits of broadband, (2) the broadband service itself, and (3) the Internet services that ride over the top of a broadband connection.

- Results from the recent Low-Income Broadband Pilot Program[5] strongly indicate that the high cost of broadband is a substantial barrier to adoption. This evidence suggests that the Commission's attempt to expand the Lifeline program to broadband, while also supporting voice services, using the same $9.25 per month level of support will not produce the desired results.

- While AARP appreciates the potential for political controversy associated with assessing broadband services for Universal Service support, AARP believes that the Commission must now address the assessment of broadband revenues to support Universal Service objectives. Broadband is no longer an infant industry, and in the not too distant future it is likely that all telecommunications services will ride over-the-top of broadband connections. In such a setting, relying on voice services alone to generate funding will not be feasible.

[4] See Broadband Pilot Project reports from Frontier, Connected Illinois, Gila River, and Hopi Telecommunications.
[5] https://www.fcc.gov/encyclopedia/low-income-broadband-pilot-program

- AARP believes that standardizing the verification process on a nationwide basis is appropriate. The NPRM proposes that the national verifier review proof of eligibility and be responsible for determining subscriber eligibility.[6] AARP believes that this is appropriate. In addition to the benefits for the consistent administration of the program, a single nationwide administrator would have advantages associated with the protection of consumer data.

- As noted in the NPRM, consumer privacy is of the utmost concern, and AARP believes that the "firewalls and boundary protections; protective naming conventions; user authentication requirements; and usage restrictions, to protect the confidentiality of consumers' proprietary personal information retained for this or other allowable purposes"[7] identified in the NPRM are appropriate measures that must be taken by any national verifier.

- The Commission should adopt measures that encourages access to written statements of terms and conditions, and which fully disclose terms of service for all Lifeline customers, regardless of the supported service they utilize.

- The Commission should also require that the security measures and privacy protections utilized by a national administrator be independently reviewed on an annual basis to ensure that the national verifier maintains state-of-the-art practices associated with the protection of consumer data.

- The NPRM requests comment on whether consumers should deal directly with the national verifier, or whether only service providers should interact with the national verifier. AARP believes that given the Commission's new vision for the Lifeline program, it makes the most sense for consumers to deal directly with the national verifier. If consumers have the ability to purchase more than one supported service, the consumer's ability to select services from alternate vendors will be encouraged if a single, independent verifier establishes eligibility.

- A single national verifier could also play an important role in customer education. The changes proposed in the NPRM are substantial, and consumers will need to be educated as to what the new Lifeline benefits mean for them. A single national verifier, working under the supervision of the Commission, could be an integral component of a consumer education program.

- There are too many unanswered questions that prevent AARP from endorsing the proposal for the direct payment of benefits to the customer at this time. AARP is concerned that the administration of a direct payment program will be complex, expensive, and will result in customer confusion. While a direct payment option may

[6] NPRM, ¶65.
[7] NPRM, ¶235.

help promote consumer choice, AARP believes there are better options available that are less complicated and will not open customers to any number of risks associated with a direct payment. Given the expansion of the Lifeline program to include both voice and broadband services, consumers will need to make choices that are more complex and have far ranging and unintended implications for them. The Commission can ensure that consumers have adequate control over how to use their benefits without introducing a new layer of consumer protection concerns related to the disbursement of benefit payments. AARP urges the Commission to consider this proposal further and seek additional comment on it.

- AARP is deeply concerned that the migration to a direct payment benefit approach not be allowed to drive out basic Lifeline service offerings. Thus, should a direct benefit approach be pursued, any carrier that accepts the direct payment of Lifeline benefits from consumers should be required to make basic voice and broadband Lifeline service offerings available, including basic voice services made available outside of a bundle. Marketing requirements for Lifeline offerings are also appropriate—any Lifeline customer must be fully informed by a service provider of the availability of Lifeline offerings, including stand-alone voice services.

- Should the Commission pursue a direct payment approach, the Commission must assure that the direct payment of Lifeline benefits does not constitute income to the consumer, and should not interfere with a consumer's ability to continue to qualify for other means-tested programs. Benefits that are directly paid should also be protected from garnishment.

- If an electronic payment device is used to deliver Lifeline benefits to consumers, rather than through payment to providers to subsidize the services they provide, as is currently done, the payment devices used to deliver the electronic payments must comply with the requirements of Regulation E.[8]

- It is also imperative, regardless of the method through which the benefits are distributed to consumers, that there is sufficient customer support available to consumers as they utilize the benefit program. This will require both telephone support and a portal through which the consumer could inquire about how to utilize the funds as well as account balances, payments, dispute about payments or other customer service needs. In addition, at the time of purchase, the eligible telecommunication carrier (ETC) that is being paid using the benefits should be required to inform the consumer of the acceptance of the

[8] Regulation E applies to the payment of government benefits via electronic fund transfers. *See* 12 C.F.R. §1005.15.

payment, and where appropriate, itemize the application of the payment on the customer's monthly bill.[9]

- With regard to eligibility, AARP also encourages the Commission to:
  - Raise the income eligibility for Lifeline from 135 percent of the federal poverty level to at least 150 percent, which is a common threshold used by other federal low-income assistance programs, such as the Low-Income Home Energy Assistance Program;
  - Require all states who currently have more unfavorable eligibility requirements to use the federal default eligibility criteria for Lifeline; and,
  - Allow the management of a shelter, group home, or nursing facility to certify the nature of the facility, so that multiple residents at an address could separately qualify for and receive Lifeline service.

In conclusion, the NPRM raises important questions, and AARP applauds the Commission for embracing the extension of Lifeline benefits to essential new technologies. AARP urges the Commission to recognize that the expansion of supported services will require additional funding, and failure to appropriately raise those funds will potentially threaten the existing Lifeline support for voice services. AARP encourages the Commission to take measured steps to reforming the Lifeline program at this time, and to seek further input from interested parties as it establishes the foundations for a reinvented Lifeline program.

[9] Presumably, the benefit card approach would enable the consumer to purchase prepaid service usage cards, thus, those direct payments from the benefit card to the retailer for the top-up cards would be made under the direct supervision of the consumer. However, even in cases where the consumer is dealing directly with a retailer for a non-recurring purchase, the consumer would need to know account-related information such as when their benefit card will be refilled. That information would need to come through a reliable approach, such as telephone or online portal.

## Introduction

AARP is pleased to respond to the Commission's *Notice* regarding the modernization of the Lifeline program.[10] Importantly, the NPRM addresses the issue of the extension of the Lifeline program to broadband services. For older Americans, i.e., those in age 50+ households, the benefits of broadband are substantial and growing. The widespread availability of high quality and affordable broadband connections—both fixed and mobile—is enabling new applications and services that are enhancing older American's quality of life, including new methods of delivering healthcare and support for independent living. Policies to promote the adoption of broadband services by older Americans who reside in low income households are an important component of an overall program that will, as directed by the Telecommunications Act, deliver the benefits of advanced telecommunication and information services.[11]

The Lifeline program was founded when telephone service meant having a landline. Today, many consumers purchase a set of services that is more expansive, and pay a substantial portion of their incomes for these services. The Bureau of Labor Statistics reports that the average household expenditure for telephone services (wireless and landline) was $1,293 per year in 2014.[12] For broadband services, the 2015 *Urban Rate Survey* shows that for 25 Mbps service, the average charge is about $76 per month. However, even for lower-speed broadband service offerings, the average charge is $41 per month. Thus, a household that purchases the "BLS average" of telephone services, and a low-end broadband plan can expect to pay about $150 per

[10] *In the Matter of Lifeline and Link Up Reform and Modernization, Telecommunications Carriers Eligible for Universal Service Support, Connect America Fund.* WC Docket Nos. 11-42, 09-197, and 10-90. Second Further Notice of Proposed Rulemaking, Order on Reconsideration, Second Report and Order, and Memorandum Opinion and Order. June 22, 2015. (Hereinafter, *NPRM*.)
[11] *Telecommunications Act*, §254(b)(2).
[12] Table 1300. Age of reference person: Annual expenditure means, shares, standard errors, and coefficient of variation, Consumer Expenditure Survey, 3rd quarter 2013 through 2nd quarter 2014. http://www.bls.gov/cex/22014/midyear/age.pdf

month for those services.[13] This is a far cry from the level of telecommunications spending when the Lifeline program was founded in 1984. At that time the Bureau of Labor Statistics estimated annual telephone expenditures of $36 per month, of course, broadband did not exist at that time.[14]

The Lifeline program is a key component of the nation's universal service policy. Lifeline has made getting a telephone and paying for monthly service more affordable for millions of low-income people throughout the U.S. The program has had a positive impact on the lives of many low-income households, enabling them to access healthcare providers, employers, and friends and family. Many of these recipients have been older Americans. Indeed, a large number of older adults are poor. Recent data from the Kaiser Family Foundation indicates that 45 percent of older adults have incomes below 200 percent of the federal poverty guideline.[15] There is no question that for older Americans, like the general population, technology adoption declines with income. Table 1 summarizes data from the Pew Research Center on income and technology usage. [16]

[13] That is, the BLS average annual expenditure for telephone service ($1,293/12) plus $41 equals $148.75.
[14] See, "The Industry Analysis Division's Reference Book of Rates Price Indices and Expenditures for Telephone Service." Industry Analysis Division, Common Carrier Bureau, Federal Communications Commission, July 1998, Table 3.1. https://transition.fcc.gov/Bureaus/Common_Carrier/Reports/FCC-State_Link/IAD/ref98.pdf
[15] Juliette Cubanski, Giselle Casillas, and Anthony Damico, "Poverty Among Seniors: An Updated Analysis of National and State Level Poverty Rates Under the Official and Supplemental Poverty Measures." The Henry J. Kaiser Family Foundation, Jun 10, 2015. http://kff.org/medicare/issue-brief/poverty-among-seniors-an-updated-analysis-of-national-and-state-level-poverty-rates-under-the-official-and-supplemental-poverty-measures/
[16] Pew Research Center, "Usage and Adoption: Older Adults and Technology Use" Aaron Smith, April 3, 2014. http://www.pewinternet.org/2014/04/03/usage-and-adoption/

| Table 1: 65+ households and technology usage. | | |
|---|---|---|
| Percent 65+ households going online; with broadband at home | | |
| Income Group | Percent Online | Percent with Broadband at Home |
| $75,000 and above | 90 | 82 |
| Less than $30,000 | 39 | 25 |
| Percent 65+ households using mobility services; smartphones | | |
| Income Group | Mobility Services | Smartphone |
| $75,000 and above | 92 | 42 |
| Less than $30,000 | 62 | 8 |

The data shown in Table 1 support the proposition that the cost of these important telecommunications services has a significant impact on the choices that seniors make regarding telecommunications services other than basic wireline voice service.[17]

The NPRM expands choice in the program, which AARP supports. But, we would like to underscore that with expanded choice may come deceptive or misleading marketing practices that target vulnerable consumers. As the FCC pursues its vision to expand Lifeline services to include Broadband, it is important to structure it to protect the population likely to qualify for Lifeline services, which is also likely to be particularly vulnerable to unfair, deceptive, misleading, and high pressure sales practices.

The NPRM raises many important and complex issues, and responding to the NPRM's questions is made all the more challenging by the interdependency among the issues raised. AARP urges the Commission to take a measured approach to reform, and to not take any action that threatens

[17] According to data from the National Health Interview Survey, over 82 percent of adults aged 65 and above reside in a household with wireline telephone service. See, Stephen J. Blumberg, Ph.D., and Julian V. Luke, "Wireless Substitution: Early Release of Estimates from the National Health Interview Survey, July–December 2014," Division of Health Interview Statistics, National Center for Health Statistics, June 2015. http://www.cdc.gov/nchs/data/nhis/earlyrelease/wireless201506.pdf

the continued affordability of basic voice services for low-income Americans. The NPRM raises important issues that have the potential to take the Lifeline program on distinct and alternative new paths, such as whether or not to directly pay benefits to consumers or whether or not to utilize a national verifier. As a result of the numerous proposed changes, AARP urges the Commission to seek additional input from interested parties as the Commission moves to finalize the reformed Lifeline program.

## Service levels for voice and broadband

The NPRM proposes to establish minimum service levels for fixed and mobile voice and broadband service.[18] AARP believes that minimum standards are essential to both the efficient administration of the program, and the satisfaction of the statutory objectives that low income Americans should have "access to telecommunications and information services, including interexchange services and advanced telecommunications and information services that are reasonably comparable to those services provided in urban areas."[19] AARP believes that the application of a "reasonably comparable" standard requires the evaluation of data, and the NPRM suggests some reasonable benchmarks.

### Voice-only service

Voice services continue to play a vital role in consumer's telecommunications usage, and for older Americans, basic voice services provide a vital link to healthcare providers, families, and first responders. The availability of stand-alone voice services is a key ingredient in keeping voice services affordable. Whatever actions the Commission takes regarding Lifeline reform, the Commission must not lose sight of the ongoing importance of stand-alone voice services. *Consumer Reports* indicates that the average spending on telecom bundles in 2014 was $1,848

[18] NPRM, ¶34.
[19] 47 U.S.C. § 254(b)(3).

per year ($154 per month).[20] This data strongly supports the proposition that bundles generate an adoption hurdle for consumers who desire voice services alone. Service providers participating in the Lifeline program should be required to make a stand-alone voice service offering available to Lifeline customers at a reasonable rate. For wireline voice services, the Lifeline basic service offering should include unlimited flat-rate local calling.

### Wireless Lifeline

AARP believes that consumers should be able to choose a high-quality wireless Lifeline alternative, however, AARP is opposed to a mandatory migration to wireless Lifeline. With regard to wireless Lifeline offerings, the NPRM points out that competition among service providers for wireless Lifeline offerings has been stagnant, as evidenced by a continuing 250 minutes-of-use offerings.[21] Usage levels for wireless Lifeline are a critical element of the service offering, and given the large number of low-income households that are wireless only, policies associated with wireless Lifeline usage allowances impact large numbers of households. According to data from the National Health Interview Survey, 59 percent of households that are living below the poverty level are wireless-only, and 50 percent of households between 100 and 200 percent of the poverty level are wireless-only.[22] Thus, the current 250-minute usage allowance has a substantial impact on low-income households seeking voice services.

### Reasonably comparable wireless Lifeline

AARP does not believe that 250 minutes of usage can be considered to be an offering that is "reasonably comparable" to non-Lifeline wireless services. The NPRM reports that average wireless usage has been measured between 690 and 746 minutes per month.[23] These usage

[20] "Consumer Reports: Average Spending on Telecom Bundles is $1,848 a Year," *Telecompetitor*, March 27, 2014. http://www.telecompetitor.com/consumer-reports-average-spending-on-telecom-bundles-is-1848-a-year/
[21] NPRM, ¶16.
[22] Stephen J. Blumberg, Ph.D., and Julian V. Luke, "Wireless Substitution: Early Release of Estimates from the National Health Interview Survey, July–December 2014," Division of Health Interview Statistics, National Center for Health Statistics, June 2015, Table 2. http://www.cdc.gov/nchs/data/nhis/earlyrelease/wireless201506.pdf
[23] NPRM, ¶40.

levels suggest that 250 minutes of baseline usage is insufficient, leaving low-income consumers to either unduly restrict usage, or pay for overage minutes or prepaid refill cards.

AARP believes that wireless Lifeline voice usage should be increased substantially, which will address the reasonably comparable standard, and will also reflect the costs of providing voice services which, as noted in the NPRM, have "declined drastically."[24] The NPRM indicates that wholesale wireless usage is now below $0.02 per minute,[25] which would suggest that the $9.25 support payment could pay for over wholesale 450 wireless minutes. It is likely that the wholesale prices will decline further in the future. Given the migration of wireless networks to broadband mobility platforms, voice usage will decline as a portion of all traffic, and the contribution of voice to network expansion and operational costs will be minimal. According to Cisco, mobile data traffic is expected to increase eightfold by 2018, with a compounded annual growth rate of 50 percent.[26] Video applications and machine-to-machine traffic is driving this growth, and voice, especially after the migration to wireless VoIP, will only make a negligible contribution to the costs of data network expansion. As a result of the cost trends, which the NPRM recognizes are causing the cost of providing wireless voice services to decrease,[27] it is appropriate for the Commission to phase-in unlimited voice as part of supported Lifeline programs. The Commission should revise the minimum Lifeline minutes to 500, and phase-in unlimited voice over a three-year period. As the NPRM points out, 500 minutes is an emerging promotional offering by wireless Lifeline providers.[28]

[24] NPRM, ¶39.
[25] NPRM, ¶42.
[26] "Wireless Data Demand in U.S. Isn't Slowing, Cisco Says," *re/code*, February 5, 2014. http://recode.net/2014/02/05/wireless-data-demand-in-u-s-isnt-slowing-cisco-says/
[27] NPRM, ¶42.
[28] NPRM, ¶16, referencing https://www.safelinkwireless.com/Enrollment/Safelink/en/NewPublic/index.html http://www.assurancewireless.com/public/moreprograms.aspx , among others.

### Text messaging and wireless Lifeline

The NPRM also seeks comment on the inclusion of text messaging in the set of supported services.[29] AARP believes that text messages should be included, and that text allowances for the supported service should be substantial. With regard to text messaging, it is widely recognized that text messaging imposes little or no cost on carriers, and that wireless carriers charge text messaging rates that can only be considered exorbitant. It has been estimated that the costs that NASA incurs for sending data from Mars are lower than the default $0.20 per text charged by wireless carriers on planet earth.[30] Given the transition of wireless networks to broadband, carrier data charges support the proposition that the cost of sending a text message is very low. Major carriers like Verizon and AT&T charge customers $15 or less per Gigabyte of data.[31] Conservatively applying a $15 per Gigabyte rate to a 160 character text message suggests a cost of $0.000002235 per text message.[32] In other words, a customer sending 5,000 text messages costs a carrier about a penny (1¢). Free unlimited texting should be part of any Lifeline offering, especially if voice continues to be restricted to a limited number of minutes. Consumers can utilize text messages to substitute for some voice calls, thus conserving limited minutes.

In conclusion, with regard to reasonably comparable voice services, the Commission should require that wireline voice offerings include unlimited voice calls within the local calling area. Wireless Lifeline service should be phased-in to unlimited voice calling over a three-year period, with the baseline allowance now increased to 500 minutes. Unlimited texting should also be included in the wireless Lifeline offering.

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[29] NPRM, ¶146.
[30] Brunner, Grant. "Price gouging: It costs more to send a text message on Earth than from Mars," *ExtremeTech*, November 30, 2102. http://www.extremetech.com/mobile/141867-price-gouging-it-costs-more-to-send-a-text-message-on-earth-than-from-mars
[31] http://www.verizonwireless.com/wcms/consumer/shop/shop-data-plans/single-line-data-plans.html ; http://www.att.com/shop/wireless/data-plans.html
[32] One gigabyte = 1,073,741,824 bytes. One text message = 160 bytes. ($15/1,073,741,824)*160 = $0.000002235.

### Fixed broadband Lifeline services

AARP strongly agrees with the NPRM's observation:

> The ability to use and participate in the economy increasingly requires broadband for education, health care, public safety, and for persons with disabilities to communicate on par with their peers. As we ensure that Lifeline is restructured for the 21st Century, we want to ensure that any Lifeline offering is sufficient for consumers to participate in the economy.[33]

To ensure that the benefits of broadband reach a broad segment of the low-income population, AARP believes that the Commission should first focus its efforts on the adoption of fixed broadband services. Fixed broadband is adopted at the household level, thus enabling broadband benefits for all household members. Fixed broadband will also be more administratively efficient. Limiting support to one fixed broadband connection per household will be easier to confirm, and waste, fraud, and abuse will be less likely with fixed broadband as a result. Furthermore, fixed broadband has the capability of delivering a higher level of broadband benefits. While smartphone apps have certainly evolved to provide higher levels of functionality, there are important broadband-related functions that are incompatible with smartphones, and low income consumers aspire to take advantage of these functions. As noted by Nexus in its report on the Broadband Pilot Project:

> The results of surveys that Nexus conducted among its broadband subscribers suggest that the most significant reasons for non-adoption can be overcome through a no-cost introduction to the benefits of broadband service. *While many broadband subscribers expected to use the service with a smart phone, the services these subscribers wished to access with broadband suggest that they might see greater benefits when service is paired with a portable large-screen device such as a laptop or tablet*.[34]

The types of applications that are best utilized outside of a smartphone's small screen are important, and for older Americans the ergonomics of accessing the Internet exclusively through the small screen of a smartphone would prove to be highly restrictive.

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[33] NPRM, ¶17.

[34] Nexus Communications Final Report, p. 3, emphasis added. http://apps.fcc.gov/ecfs/document/view?id=60001047836

As noted in the NPRM, there are important applications that require a device that has more capabilities than a smartphone, especially for education: "many homework assignments also require students to integrate technology when creating their own content, such as developing reports, designing PowerPoint presentations, or manipulating data."[35] These types of activities cannot be appropriately performed on a smartphone. Survey results from the Broadband Pilot Program point to the importance of educational applications of broadband as being a motivator for broadband subscription. Data from the TracFone study shows that with all but the highest age group, education is an important driver of the need for broadband.

| Table 2: TracFone survey question on the need broadband for education | | |
|---|---|---|
| Age Group | Children broadband need for school | Subscriber needs broadband for school |
| 70+ | 0.0% | 0.0% |
| 65-69 | 14.3% | 14.3% |
| 60-64 | 11.1% | 8.3% |
| 55-59 | 18.9% | 5.7% |
| 50-54 | 26.3% | 22.4% |
| 40-49 | 47.3% | 14.7% |
| 30-39 | 61.4% | 30.7% |
| >29 | 33.3% | 37.3% |

The TracFone data is consistent with the substantial presence of children in older households. Data from the Census showed the number of children raised by grandparents increased to 4.9 million in 2010, up from 2.4 million in 2000, with the trend showing no sign of reversing.[36]

Given the importance of devices larger and more sophisticated than smartphones, AARP believes that the broadband expansion of the Lifeline program should give priority to the support

[35] NPRM, ¶18.
[36] "More grandparents raising their grandchildren," *USA Today*, July 27, 2014, http://www.usatoday.com/story/news/nation/2014/07/26/more-grandparents-raising-their-grandkids/13225569/

of fixed broadband applications. In addition to the benefits associated with the ability of consumers to utilize computers and tablets with fixed broadband offerings, fixed broadband will also reach a larger number of consumers more effectively, as fixed broadband services are oriented toward the household, as opposed to smartphone data plans that are linked to one device, reflecting the personal nature of mobility data services. The "one subsidy per household" that was instrumental in the reform of the Lifeline program is also consistent with the promotion of fixed broadband services.[37]

## Data caps and broadband Lifeline

The NPRM raises the question of how to address data caps for fixed broadband.[38] AARP is not aware of any evidence that data caps are anything but a method for carriers to increase charges for consumers. As noted in a 2014 Government Accountability Office report:

> According to the literature, providers facing limited competition could use UBP (usage-based-pricing) to increase profits, potentially resulting in negative effects, including increased prices, reductions in content accessed, and increased threats to network security. Several researchers and stakeholders GAO interviewed said that UBP could reduce innovation for applications and content if consumers ration their data."[39]

Broadband providers have made clear what data caps are about, and it is not problems associated with network congestion:

> Michael Powell told a Minority Media and Telecommunications Association audience that cable's interest in usage-based pricing was not principally about network congestion, but instead about pricing fairness...Asked by MMTC president David Honig to weigh in on data caps, Powell said that while a lot of people had tried to label the cable industry's interest in the issue as about congestion management. "That's wrong," he said. "Our principal purpose is how to fairly monetize a high fixed cost."[40]

[37] NPRM, ¶8.
[38] NPRM, ¶43.
[39] "Broadband Internet: FCC Should Track the Application of Fixed Internet Usage-Based Pricing and Help Improve Consumer Education," GAO-15-108: Published: Nov 24, 2014. Publicly Released: Dec 2, 2014. http://www.gao.gov/products/GAO-15-108
[40] "Cable Industry Finally Admits That Data Caps Have Nothing To Do With Congestion," *TechDirt*, January 23, 2013. https://www.techdirt.com/articles/20130118/17425221736/cable-industry-finally-admits-that-data-caps-have-nothing-to-do-with-congestion.shtml

From an economic perspective, using a usage-based charge associated with a data cap to "monetize a high fixed cost" is irrational. Given the public policy objectives associated with Lifeline service, and the desirability of encouraging broadband usage among low-income households, it makes sense to promote the availability of unlimited broadband plans, or in the alternative, to require plans with ample downloading capability. Academic research has shown that unpredictable bills are one of the primary causes of consumers dropping telecommunications services.[41] Data caps contribute to bill unpredictability, and the Commission should limit this impact on low-income consumers. It is imperative that as the Commission considers the expansion of the Lifeline program, that the supported services are designed for success. Supported services should result in predictable bills, and data caps do nothing to further this goal. Should data caps be allowed for the supported service, the Commission must ensure that consumers are fully informed regarding the nature of the cap, and the costs associated with exceeding the caps. Consumers should receive notification when they approach the cap, and should retain the ability to continue basic communication (including voice services) if they restrict data usage to avoid going over a cap. Finally, the Commission must ensure that data rates for overages are in line with the charges for the Lifeline broadband offering.

## Data speeds and latency and broadband Lifeline

The NPRM also requests comment on latency and data speeds associated with the fixed broadband Lifeline offering.[42] Here too, the "reasonably comparable" standard must be employed. With regard to latency, fixed broadband offerings should not be allowed to degrade latency—Lifeline offerings should have the same latency as non-Lifeline services. With regard to data speeds, AARP believes that it will be more likely that consumers will more quickly appreciate the benefits of broadband if they have access to high quality broadband service. For

[41] Gideon, C. "The phoneless in the broadband age: A pilot study in Massachusetts," *Telecommunications Policy*, Vol 36, (2012) pp. 704-723. Draft available at: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1985790
[42] NPRM, ¶43.

example, Comcast's "Internet Essentials" offering, one that is targeted at low-income consumers, initially offered data speeds of 5 Mbps downstream and 1 Mbps upstream.[43] While AARP finds positive attributes associated with Comcast's Internet Essentials program, the initial data speed was not one of them, and AARP does not believe that a speed like 5 Mbps/1 Mbps can be considered "reasonably comparable" to non-Lifeline offerings. AARP was pleased to see that Comcast recently increased its Internet Essentials data speeds to 10 Mbps.[44] According to the most recent "State of the Internet" report published by Akamai, average connection speeds in the U.S. were 11.9 Mbps,[45] and 10 Mbps is a reasonably comparable benchmark.

Also pointing to the need for a higher benchmark for a reasonably comparable broadband speed, AARP notes the FCC's 2015 decision to define data speeds associated with advanced telecommunications capability to 25 Mbps downstream and 3 Mbps upstream. In making this decision the Commission noted:

> [H]ouseholds usually are comprised of two or more persons, and it is not uncommon for each person in the household to use more than one broadband device simultaneously. Because consumers usually purchase fixed broadband service for the household, and because the deployment data represent households rather than individuals, we find it reasonable to consider broadband needs at a household level, rather than what each individual household member, individually, may need.[46]

As pointed out above, a key element of the value of a household broadband connection is the ability of more than one individual to utilize the connection, and lower speeds will not deliver good performance. AARP believes that a reasonably comparable initial benchmark speed of 10

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[43] http://learning.internetessentials.com/internet-essentials-support
[44] http://corporate.comcast.com/comcast-voices/comcast-redoubles-attack-on-the-digital-divide-with-internet-essentials-program
[45] Akamai's State of the Internet Report for the first quarter, 2015, Figure 18. Available with registration at: https://www.akamai.com/us/en/our-thinking/state-of-the-internet-report/index.jsp
[46] *In the Matter of Inquiry Concerning the Deployment of Advanced Telecommunications Capability to All Americans in a Reasonable and Timely Fashion, and Possible Steps to Accelerate Such Deployment Pursuant to Section 706 of the Telecommunications Act of 1996, as Amended by the Broadband Data Improvement Act*, GN Docket No. 14-126. 2015 Broadband Progress Report and Notice of Inquiry on Immediate Action to Accelerate Deployment, February 4, 2015, ¶47. (Hereinafter, "*2015 Broadband Progress Report*.")

Mbps for fixed Lifeline broadband offering should be utilized. Should an eligible telecommunications carrier (ETC) not have facilities that enable this speed, AARP believes that the highest speed available from the ETC should be utilized. The Commission should reset the minimum Lifeline service speed based on data from Akamai or a similar source every 36 months. As demonstrated by the *2015 Broadband Progress Report*, broadband technology "does not stand still," and the reasonably comparable standard must reflect technological progress.[47]

## Support amount

The NPRM tentatively concludes that the permanent support amount should be set to $9.25 per month. This proposal raises important questions. Given that the $9.25 amount currently is utilized to support voice services alone, it is not clear how the objectives of ensuring affordable broadband services can be achieved while maintaining a constant subsidy amount. The NPRM otherwise appears to recognize that the reasonably comparable standard specified in the statute should enable consumers to purchase both voice and broadband services, with the potential to mix and match mobility and fixed services as well.[48] This expansion of supported services is not consistent with a fixed level of support set at $9.25. As demonstrated by the expansion of California's Lifeline program, expansion to new services requires new support monies.

As the NPRM notes, California expanded Lifeline support to wireless services, with a sliding scale support level linked to the number of minutes included in the wireless Lifeline offering.[49] Plans with 1,000 minutes per month or more can receive up to $12.65 per month in California Lifeline support.[50] The impact of that decision has been substantial. According to data released by the California Public Utilities Commission the number of customers receiving Lifeline

[47] *2015 Broadband Progress Report*, ¶45.
[48] NPRM, ¶¶37-46.
[49] NPRM, ¶128.
[50] California Public Utilities Commission, *Order Instituting Rulemaking Regarding Revisions to the California Universal Telephone Service (LifeLine) Program.* Rulemaking 11-03-013. Decision Adopting Revisions to Modernize and Expand the California Lifeline Program. Decision 14-01-036 January 16, 2014, p. 40.

support has increased dramatically—a ten-fold increase, with the number of supported wireless Lifeline customers increasing from 145,000 to over 1.4 million between the start of the program in March of 2014 and June 2015.[51]

The NPRM requests comment on the potential for states to contribute to Lifeline support,[52] and AARP applauds those states that do contribute Lifeline objectives. However, the number of states that do support Lifeline is small, with a recent report identifying only 17 states as offering support for Lifeline programs.[53] The Commission must recognize that while it can count on some states to chip in to support Lifeline objectives, the Commission will be going it alone in the majority.

While the NPRM does suggest that given the declining cost characteristics of the wireless mobility industry that $9.25 is too high a level of support to continue for voice-only mobility services,[54] any conceivable split in the current $9.25 funding level between voice and broadband would leave little in the way of support for broadband, and given the continuing lack of functionality of mobility services with regard to features such as medical monitoring, it may not be feasible for consumers to go wireless-only in the first place. Thus, AARP believes that a higher level of support is needed, however, as will be discussed below, AARP believes that the FCC should design a Broadband Lifeline program that addresses more than support for recurring charges.

[51] "Third Party Administrator LifeLine Customer Counts," http://www.cpuc.ca.gov/PUC/Telco/Information+for+providing+service/FormNotices_Public+Program.htm
[52] NPRM, ¶10.
[53] Sherry Lichtenberg, Ph.D., "State Universal Service Funds 2014," National Regulatory Research Institute, Report No. 15–05, June 2015, p. v. http://nrri.org/research-papers/?f=telecommunications
[54] NPRM, ¶53.

## Older Americans will adopt broadband with appropriate support

It is no secret that older Americans as a group are less likely to have broadband at home. However, lower income appears to be a key factor, and with an appropriate Lifeline broadband program, this population has the potential to adopt broadband in large numbers. As noted in a 2014 Pew Internet report, older Americans with higher incomes are likely to go online, or have broadband at home. "Among seniors with an annual household income of $75,000 or more, fully 90% go online and 82% have broadband at home."[55]

In considering the challenge associated with broadband adoption for older Americans specifically, and low-income households in general, the Commission must recognize the unique characteristics of broadband for the current non-subscriber. Certainly, the cost of broadband is an important factor, but the Commission should also encourage service providers to provide informational materials that accurately inform consumers of the benefits of broadband. As noted by Nexus Communication's in its report on the Commission's Broadband Pilot Project:

> A strategy with a much higher chance of success is to pair a no-cost, low-frills broadband service with free basic digital literacy training and a low-cost or free device. This will allow subscribers to try broadband at no cost and with no risk, permitting them to gain experience and confidence with the Internet that can show them the powerful benefits broadband can offer.[56]

The general framework described by Nexus is supported by academic research and other low-income broadband adoption programs. For example, in research published this year, based on surveys of broadband non-adopters, the need for more than discounted service is emphasized:

> This indicates to us that multi-pronged approaches similar to Comcast's Internet Essentials program, which offers qualifying American households a package consisting of a voucher for a low-cost computer, online Internet education and a low-cost broadband

[55] http://www.pewinternet.org/2014/04/03/usage-and-adoption/
[56] Nexus Final Report, p. 14, emphasis added. http://apps.fcc.gov/ecfs/document/view?id=60001047836

> connection, might help some of the self-reported price insensitive non-adopters become broadband subscribers.[57]

This thinking is also apparent in the recently announced White House initiative, "ConnectHome." ConnectHome combines discounted broadband, low-cost premise equipment, and training in an effort to bridge the digital divide.[58] In a report supporting the ConnectHome program, the President's Council of Economic Advisors notes that "closing the gap—between those who experience these social and economic benefits from Internet use, and those who do not—will require further efforts to reduce barriers in affordability, relevance, and computer literacy."[59] Targeted educational resources will lead to a higher chance for success than providing discounts in isolation, and service providers should be encouraged by the Commission to provide consumer support and education as part of their broadband Lifeline offerings.

With regard to program implementation, AARP believes that it will be more effective if the Commission starts small by working with wireline broadband service providers, perhaps on a regional basis, to develop pilot projects that include AARP's three-prong approach (discussed further below) to fine tune a broadband Lifeline strategy before a nationwide roll-out. Such an approach will help the Commission understand the various components, and costs, of a program that will successfully improve broadband subscription among older Americans and low-income households in general.

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[57] Carare, O., McGovern, C. Noriega, R., and Schwarz, J. "The willingness to pay for broadband of non-adopters in the U.S.: Estimates from a multi-state survey," *Information Economics and Policy*, 30 (2015) 19–35, p. 26, emphasis added.

[58] FACT SHEET: ConnectHome: Coming Together to Ensure Digital Opportunity for All Americans, July 15, 2015. https://www.whitehouse.gov/the-press-office/2015/07/15/fact-sheet-connecthome-coming-together-ensure-digital-opportunity-all

[59] "Mapping the Digital Divide," Council of Economic Advisers Issue Brief, July 2015. https://www.whitehouse.gov/sites/default/files/wh_digital_divide_issue_brief.pdf

## Discounts must be substantial

The results from the recent Low-Income Broadband Pilot Program[60] indicate that the high cost of broadband is a substantial barrier to adoption. The Broadband Pilot Program generated survey responses regarding the reasons why participants had not previously subscribed to broadband services, or why they had discontinued those services. Table 3 shows data, stratified by age group for participants in the TracFone study who had never previously subscribed.[61]

| Table 3: Reason for not previously subscribing | |
|---|---|
| Age Group | Monthly cost too expensive. |
| 70+ | 95.0% |
| 65-69 | 95.2% |
| 60-64 | 88.9% |
| 55-59 | 90.6% |
| 50-54 | 86.8% |
| 40-49 | 92.4% |
| 30-39 | 94.9% |
| >29 | 93.1% |

For those that had previously subscribed, and who had dropped service, monthly cost was again a dominant reason for no longer subscribing.

[60] https://www.fcc.gov/encyclopedia/low-income-broadband-pilot-program
[61] Based on 765 respondents in five states (FL, MD, TX, WA, WI). https://www.fcc.gov/encyclopedia/tracfone-smartphone-pilot-project

| Table 4: Previous Subscriber Reason for Dropping. | |
|---|---|
| Age Group | Monthly cost too expensive. |
| 70+ | 100.0% |
| 65-69 | 100.0% |
| 60-64 | 92.9% |
| 55-59 | 100.0% |
| 50-54 | 78.6% |
| 40-49 | 94.0% |
| 30-39 | 93.7% |
| >29 | 80.6% |

Similar results were apparent with other studies. The XChange Telecom Limited study notes "price is clearly driving the decisions for this group about when to subscribe and when not to subscribe. *The most important reason for not subscribing before and for dropping previous service is that broadband was too expensive*."[62] The Nexus Communications study also found that by a wide margin, monthly cost was the primary reason why previous subscribers had dropped service.[63] Partnership for Connected Illinois similarly finds that previous subscribers had dropped service because of the high monthly cost.[64] Likewise, as noted by Sprint:

> A required contribution, either upfront or in the form of a monthly recurring charge, even if it is relatively small, is a significant barrier to participation for Lifeline-eligible households. Annual income for the average Assurance Wireless household is approximately $11,000. Any broadband Lifeline program should be designed with the extremely cash-constrained consumer in mind.[65]

This evidence suggests that the Commission's attempt to expand the Lifeline program to broadband, while also supporting voice services, using the same $9.25 per month level of support will not produce the desired results.

[62] XChange Telecom Final Report, p. 4, emphasis added. http://apps.fcc.gov/ecfs/document/view?id=60001040142
[63] Nexus Communications Final Report, p. 8.
[64] Partnership for Connected Illinois Final Report, p. 4. http://apps.fcc.gov/ecfs/document/view?id=60001039221
[65] Sprint Final Report, p. 2. http://apps.fcc.gov/ecfs/document/view?id=60001041375

The Broadband Pilot program employed substantial discounts to lead low-income consumers to subscribe to broadband. Table 5 shows the discounts offered as part of the Pilot Projects.[66]

| Table 5: Broadband Pilot Discounts | |
|---|---|
| **Program** | **Discounts** |
| Frontier | Option A--Digital Literacy and $30 Discount and Waiver of $34.99 activation fee; Option B--No Digital Literacy and $20 Discount; Option C--Digital Literacy, $20 discount, free computer. |
| Gila River | $23.24 to $38.24 per month. |
| Hopi Telecommunications | $39.95 per month plus refurbished computer. |
| Nexus Communications | $15 or $20 per month. |
| NTCA | $25 per month for 12-month period; $40 per month for first quarter, with support reduced by $10 per month in each of the following quarters in the 12-month period. |
| Partnership for Connected Illinois | $60 installation credit; $30 per month discount; Option to purchase discounted refurbished computer. |
| Puerto Rico Wireless | $25 per month. |
| T-Mobile Puerto Rico | $20 per month. |
| TracFone | $10 per month or $20 per month. |
| Vermont Telecom | $15 per month/ 12 months; $25 per month for 3 months/ $15 per month for last 9 months. |
| XChange Telecom | $5, $10, or $15 per month. |

This information argues that a broadband Lifeline program that offers a substantial discount will be required to achieve the objectives of expanding broadband adoption among low-income households. As noted in a 2010 study of low-income broadband adoption:

> Respondents were acutely aware that monthly fees are only part of the overall cost of connectivity. Hardware and software costs, installation costs and deposits, equipment maintenance fees, transaction costs for disconnecting, and changes to subscription pricing

[66] AARP made a good faith effort to represent the discounts associated with the Broadband Pilot Project. However, the presentation of the data on the FCC's web site is disappointing. Not all participants provide complete information, or have provided heavily redacted reports, obscuring such fundamental information as the normal rates charged for broadband service. Alternatively, the Frontier final report is missing, with the link to the Frontier final report delivering the Connected Illinois final report instead. While interpretation of the data is challenging, AARP believes that substantial discounts were utilized, discounts that are much higher than the $9.25 that the NPRM proposes to utilize to support both voice and broadband services.

all introduce additional—and often unpredictable—layers of cost. Among the un-adopters in our respondent pool, unanticipated costs in these categories were often cited as reasons for dropping broadband at home.[67]

### Recommendation for broadband Lifeline—a 3-prong approach

AARP believes that the Commission should design a program that introduces low-income consumers to broadband with a no-cost, or low-cost introductory offer. Following the introductory offer, keeping the consumer connected has been demonstrated to require a low monthly rate. AARP recommends the following framework for broadband Lifeline.

- The Commission should implement a program that provides introductory offers that are at either no cost or very low cost for a trial period (for example, six months). Following the trial, AARP believes that a monthly charge of no more than $10 per month is appropriate.
- The Commission must also address the need for customer premise equipment. Programs that make low-cost computers or tablets available to low-income households are appropriate, and results from the Commission's Broadband Pilot indicate that low-cost computers are an integral component of the process.[68]
- The Commission should encourage participating Lifeline broadband providers to provide educational outreach to inform non-adopters of the potential benefits of broadband, and to offer assistance on how to utilize (1) the equipment necessary to experience the benefits of broadband, (2) the broadband service itself, and (3) the Internet services that ride over the top of a broadband connection.

The Comcast *Internet Essentials* program provides an important model for the Commission to consider. By providing a broadband service priced at $9.95 per month, a low-cost computer, and a variety of training options,[69] the risks to the consumer of broadband adoption are reduced, and training provides a gateway to understanding the benefits of broadband. The Commission should consider utilizing expanded broadband funding to support programs that are similar in structure to the Comcast model.

[67] Dharma Dailey, Amelia Bryne, Alison Powell, Joe Karaganis, and Jaewon Chung . "Broadband Adoption in Low-Income Communities," Social Science Research Council report, Version 1.1 March 2010. http://webarchive.ssrc.org/pdfs/Broadband_Adoption_v1.1.pdf
[68] See Broadband Pilot Project reports from Frontier, Connected Illinois, Gila River, and Hopi Telecommunications.
[69] https://www.internetessentials.com/

## Broadband revenues must enter the contribution base

As a preliminary matter, AARP believes that it is important for the Commission to appreciate the current contribution profile of older Americans. Because both wireline and wireless voice services are currently assessed services, older Americans are likely to shoulder a disproportionate share of universal service support under the current regime. Table 6 compares wireless and wireline voice service subscription rates, as reported in the National Health Interview Survey.[70]

| Table 6: Wireline and Wireless Telephone Service Subscription by Age Group (2014) | | |
|---|---|---|
| Age Group | Wireline Phone | Wireless Phone |
| 50+ | 68.18% | 82.99% |
| Below 50 | 31.30% | 93.36% |

Furthermore, older Americans subscribe to **both** wireless and wireline in larger numbers than the overall population. Table 7, below, reports data regarding the presence of both wireline and wireless telephones in households by age group, based on the National Health Interview Survey.[71] The data in Table 7 shows that older Americans in the 50 and above age groups subscribe to both wireline and wireless to a greater extent than other age groups.

[70] Stephen J. Blumberg, Ph.D., and Julian V. Luke, "Wireless Substitution: Early Release of Estimates from the National Health Interview Survey, July–December 2014," Division of Health Interview Statistics, National Center for Health Statistics, June 2015. http://www.cdc.gov/nchs/data/nhis/earlyrelease/wireless201506.pdf

[71] Table 1 is based on the microdata for 2014 released with the NHIS wireless survey. That data is available at: http://www.cdc.gov/nchs/nhis/quest_data_related_1997_forward.htm

| Table 7: Combined Wireless and Landline Telephone Subscription (2014) | |
|---|---|
| Householder's Age Group | Percent with Both Wireless and Landline |
| Up to 29 | 13.02% |
| 30-39 | 26.43% |
| 40-49 | 42.44% |
| 50-54 | 47.74% |
| 55-59 | 51.34% |
| 60-64 | 56.16% |
| 65-69 | 59.12% |
| 70-74 | 60.05% |
| 75 and Above | 53.87% |

AARP believes that it is essential that the reform of the universal service contribution base deliver an appropriate reduction in the burden currently borne by older Americans.

While AARP appreciates the potential for political controversy associated with the assessment of broadband services for Universal Service purposes, AARP believes that the Commission must now address the assessment of broadband revenues to support Universal Service objectives. Broadband is no longer an infant industry, and in the not too distant future it is likely that all telecommunications services will ride over-the-top of broadband connections. In such a setting, relying on voice services alone will not be feasible.

The economics of assessment are straight forward. Previously, the State Members of the Joint Board have recommended that both telecommunications and information services be assessed,[72] specifically noting that if most of the revenues reported on FCC Form 499, line 418 were assessed, the result would be a contribution factor of about two percent.[73] Because demand for

[72] This Joint Board recommendation was made prior to the Commission's 2015 reclassification of broadband as a telecommunications service.
[73] Comments by State Members of the Federal State Joint Board on Universal Service, In the Matters of Connect America Fund, A National Broadband Plan for Our Future, Establishing Just and Reasonable Rates for Local Exchange Carriers, High-Cost Universal Service Support, Developing an Unified Intercarrier Compensation Regime, Federal-State Joint Board on Universal Service, Lifeline and Link-Up, WC Docket No. 10-90, GN Docket

broadband is inelastic, the assessment of broadband for universal service support purposes will not result in a substantial negative impact on broadband subscription.[74]

AARP believes that expanding the contribution base, as discussed above, to include all services that benefit from the supported platform, will result in a smaller contribution from each assessed service, and the offsetting impact of reductions in the assessment on other telecommunications services would make demand suppression from the assessment of broadband less likely.

In conclusion, the time is ripe for the assessment of broadband services. Universal service support in general, and the new Broadband Lifeline program in particular, will benefit from an expanded contribution base. With regard to Lifeline, a $0.60 per month assessment on all current broadband connections would generate over $2 billion per year in support, which would create a solid financial foundation for a broadband Lifeline program,[75] while protecting support for voice services.

## Broadband price increases point to the need for competition

The lack of competition for broadband services is a serious problem. AARP wholeheartedly agrees with Chairman Wheeler's assessment:

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No. 09-51, WC Docket No. 07-135, WC Docket No. 05-337, CC Docket No. 01-92, CC Docket No. 96-45, WC Docket No. 03-109, May 2, 2011, p. 120. http://www.in.gov/iurc/files/11_0502_USF_State_JB_Member_Comments_10_90_fin_%282%29.pdf

[74] Researchers studying OECD data find short-run price elasticity for broadband Internet access of -0.43. See, "Price and Income Elasticity of Demand for Broadband Subscriptions: A Cross-Sectional Model of OECD Countries," Richard Cadman and Chris Dineen, February 2008. http://spcnetwork.eu/uploads/Broadband_Price_Elasticity.pdf This value is similar in magnitude to earlier work done by Rappaport, Taylor, and Kridel, who found elasticity for cable-based broadband to be inelastic across most price ranges. See, "Willingness to Pay and the Demand for Broadband Service," Paul Rappoport, Lestor D. Taylor, and Donald J. Kridel. Mimeo, 2002. http://www.economics.smu.edu.sg/events/Paper/Rappoport_3.pdf Given the -0.43 elasticity estimate discussed above, an assessment of 2% might dampen demand for broadband by about 0.86%.

[75] According to the most recent FCC report on broadband subscription, there are about 290 million broadband connections in the U.S. See, Federal Communications Commission, "Internet Access Services: Status as of December 31, 2013", Industry Analysis and Technology Division, Wireline Competition Bureau, October 2014, Figure 1. https://apps.fcc.gov/edocs_public/attachmatch/DOC-329973A1.pdf

> [M]eaningful competition for high-speed wired broadband is lacking and Americans need more competitive choices for faster and better Internet connections, both to take advantage of today's new services, and to incentivize the development of tomorrow's innovations.[76]

The lack of competition has a significant and negative impact on consumers, including low-income consumers who are effectively blockaded from considering wireline broadband due to high and rising prices.[77] A summary of news items regarding broadband price increases squeezing customers is provided below:

- May 2015, Cox announces plans to impose usage overage fees of $10 per 50GB.[78]
- January 2015, Comcast increases price of Internet "Blast" service by $2 per month.[79]
- January 2015, Time Warner increases cable modem rental fees from $5.99 per month to $8 per month.[80]
- December 2014, Wide Open West increase cable modem rental fees by $1.00 per month.[81]
- July 2013, Time Warner increases cable modem rental fees from $3.95 per month to $5.99 per month.[82]
- January 2012, Comcast announces its second price increase in ten months in the Boston, MA area. Overbuilder RCN indicates that its prices are also rising.[83]
- January 2012, Comcast and AT&T U-Verse announce rate increases in the Champaign-Urbana, IL area.[84]

[76] "FCC Chairman Tom Wheeler: More Competition Needed in High-Speed Broadband Marketplace," September 4, 2014. https://apps.fcc.gov/edocs_public/attachmatch/DOC-329160A1.pdf
[77] See discussion above of Broadband Pilot survey results.
[78] "Exclusive: Cox Planning to Impose Usage Overage Fees, DSL Reports," May 14, 2015. http://www.dslreports.com/shownews/Exclusive-Cox-Planning-to-Impose-Usage-Overage-Fees-133775
[79] "Comcast increases prices for new year, republicanherald.com, January 5, 2015 http://republicanherald.com/news/comcast-increases-prices-for-new-year-1.1812537
[80] "Time Warner Cable sneaks in higher fees to customers," Los Angeles Times, January 5, 2015. http://www.latimes.com/business/la-fi-lazarus-20150106-column.html
[81] "WOW to increase many cable bills by more than $15 a month; Eudora bests Lawrence in young families ranking," *Lawrence Journal World*, December 2, 2014. http://www2.ljworld.com/weblogs/town_talk/2014/dec/2/wow-to-increase-many-cable-bills-by-more/
[82] "Time Warner gobbles up more cash from customers by raising modem fees," *arstechnica*, July 29, 2013. http://arstechnica.com/business/2013/07/time-warner-gobbles-up-more-cash-from-customers-by-raising-modem-fees/
[83] "Comcast raising cable rates twice in 10-month period," *Boston.com*, January 17, 2012. http://articles.boston.com/2012-01-17/business/30636158_1_cable-rates-rcn-customers-cable-service

- For AT&T U-Verse high speed Internet customers who ordered their current speed before June 12, 2011, effective with the February 2012 billing statement, the monthly price for Basic will increase from $19.95 to $25, Express will increase from $30 to $33, Pro will increase from $35 to $38, Elite will increase from $40 to $43, and Max will increase from $45 to $48. Customers paying a monthly high speed Internet equipment fee for the Residential Gateway, the amount will increase from $4 to $6.[85]

- In early 2012 Cox's Preferred Internet tier increased from $49.99 to $53.99 a month.[86]

- In the Las Vegas area in 2010 Cox announced that its "Preferred" Internet service would see a price increase from $44.99 to $46.99, and that its "Premier" Internet service prices would go from $57.99 to $59.99.[87]

- In the Orange County area in 2010 Cox announced broadband Internet price increases, with the "Starter" service going from $19.95 to $22.99; the "Value" service going from $28.99 to $31.99; the "Preferred" service going from $44.99 to $46.99; and the "Premier" service going from $59.99 to $61.99.[88]

Those who may be critical of any efforts of the Commission to expand the contribution base should explain why it is acceptable for large broadband price increases, but that it is somehow not acceptable for critical public policy objectives to be funded by a more modest broadband assessment. The price increases listed above clearly illustrate the larger problem of the lack of broadband competition in most areas of the U.S.,[89] but also illustrate the fact that a modest assessment of broadband services would have little impact on demand. Broadband subscription has grown during the period when these price increases were implemented.

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[84] "Comcast, AT&T U-Verse rates to increase," *The News Gazette*, January 10, 2012. http://www.news-gazette.com/news/arts-and-entertainment/internet/2012-01-10/comcast-att-u-verse-rates-increase.html

[85] "Rate Increases for One and All: AT&T, Comcast, Cox, DirecTV — Up, Up and Away," *Stop the Cap*, January 10, 2012. http://stopthecap.com/2012/01/10/rate-increases-for-one-and-all-att-comcast-cox-directv-up-up-and-away/

[86] "Rate Increases for One and All: AT&T, Comcast, Cox, DirecTV — Up, Up and Away," *Stop the Cap*, January 10, 2012. http://stopthecap.com/2012/01/10/rate-increases-for-one-and-all-att-comcast-cox-directv-up-up-and-away/

[87] "Cox Communications announces price increases, Consumers to pay more for several cable, phone and Internet services," *Las Vegas Sun*, February 3, 2010. http://www.lasvegassun.com/news/2010/feb/03/cox-communications-announces-price-increases/

[88] "Cox raising cable TV, HD and Internet prices in Orange County," *Orange County Register*, January 29th, 2010. http://gadgetress.freedomblogging.com/2010/01/29/cox-raising-cable-tv-hd-and-internet-prices-in-orange-county/34775/

[89] See, "FCC Chairman Tom Wheeler: More Competition Needed in High-Speed Broadband Marketplace," https://apps.fcc.gov/edocs_public/attachmatch/DOC-329160A1.pdf

## Participant Verification

The NPRM points to the desirability of a "National Lifeline eligibility verifier."[90] AARP believes that standardizing the verification process on a nationwide basis is appropriate. The NPRM proposes that the national verifier review proof of eligibility and be responsible for determining subscriber eligibility.[91] AARP believes that this is appropriate. In addition to the benefits for the consistent administration of the program, a single nationwide administrator would have advantages associated with the protection of consumer data. As noted in the NPRM, consumer privacy is of the utmost concern, and AARP believes that the "firewalls and boundary protections; protective naming conventions; user authentication requirements; and usage restrictions, to protect the confidentiality of consumers' proprietary personal information retained for this or other allowable purposes"[92] identified in the NPRM are appropriate measures that must be taken by any national verifier. Furthermore, the Commission should require that the security measures and privacy protections utilized by a national administrator be independently reviewed on an annual basis to ensure that the national verifier maintains state-of-the-art practices associated with the protection of consumer data. Given that the Commission is now envisioning the potential support for both fixed and mobility services, a single point of contact would reduce the potential for customer confusion, and a single national verifier would also be better positioned to prevent fraud and abuse.

## Consumer contact with the National Verifier

The NPRM requests comment on whether consumers should deal directly with the national verifier, or whether only service providers should interact with the national verifier. AARP believes that given the Commission's new vision for the Lifeline program, it makes the most sense for consumers to deal directly with the national verifier. If consumers have the ability to

[90] NPRM, ¶64.
[91] NPRM, ¶65.
[92] NPRM, ¶235.

purchase more than one supported service, the consumer's ability to select services from alternate vendors will be encouraged if a single, independent verifier establishes eligibility. The national verifier should employ a portal for service providers to determine whether the customer that they are working with is eligible for supported services, and the national verifier could design that portal to itemize the services for which a qualified customer (or customer address) has support remaining.[93]

A single national verifier could also play an important role in customer education. The changes proposed in the NPRM are substantial, and consumers will need to be educated as to what the new Lifeline benefits mean for them. A single national verifier, working under the supervision of the Commission, could be an integral component of a consumer education program.

## Direct payment of benefits and enrollment procedures

The NPRM raises issues of whether benefits should be directly paid to consumers, rather than to ETCs, and how to structure enrollment procedures so as to efficiently administer the Lifeline program, and to better protect against waste, fraud, and abuse.[94] AARP is concerned that the administration of a direct payment program will be complex, and that customer confusion may be more likely. Given the expansion of the Lifeline program to include both voice and broadband services, consumers will need to make choices that are more complex, and may have unintended implications for them. AARP urges the Commission to consider this proposal further and seek additional comment on it.

Changing to a direct payment option may challenge the notion of a "supported service." Under the current arrangement, ETCs are compensated for the services which qualify for Lifeline, and

[93] For example, if the Lifeline program were to offer support for voice and broadband services, once a consumer established a supported voice service, the customer's fields in the national verifier's database would show that no further voice services will be supported; however, that same customer would have a field indicating that support for broadband services was still available.
[94] NPRM, ¶¶92-103.

consumers have a limited range of choices as a result. If direct payment is adopted, the Commission must carefully establish the relationship between direct payment of benefits and the nature of services that may be purchased. Questions that the Commission must answer if the Commission were to adopt a benefit-card approach include whether the consumer would be able to spend benefits on any telecommunications service offered by a carrier willing to accept the benefit card? For example, if a customer placed a high value on a more expensive bundled service offering, as opposed to a basic option, would the consumer be able to apply the Lifeline benefits to that purchase? Or would the benefit card only work with narrowly defined Lifeline offerings? How would customers be protected from being pressured into purchasing expensive equipment, a higher level of service, or entering into a long term contract with early termination and other penalties and fees? What services will be available to assist people who are unable to manage their own finances, make decisions about complex products and services without assistance, and may be unable to recognize fraud?

While AARP is in favor of empowering consumer choice, AARP is concerned that a carte blanche approach to applying Lifeline benefits would encourage marketing abuse. AARP is also deeply concerned that the migration to a direct benefit approach not be allowed to drive out basic Lifeline service offerings. Thus, should a direct benefit approach be pursued, any carrier that accepts the direct payment of Lifeline benefits from consumers should be required to make basic voice and broadband Lifeline service offerings available, including basic voice services made available outside of a bundle. Similarly, basic service should not be discontinued for non-payment of broadband service charge. Marketing restrictions are also appropriate—any Lifeline customer must be fully informed by a service provider of the availability of basic Lifeline offerings, including stand-alone voice services, and the basic broadband option. The California Lifeline program has had problems with wireless carriers offering services that do not conform to the program's standards,[95] thus the Commission should expect to monitor service offerings and to bring carriers in line if they violate the marketing guidelines for the program.

**Exclusion from Income and Exemption from Garnishment**

The Commission will also need to assure that a direct Lifeline payment does not constitute income to the consumer and shall not be counted as income for other means tested programs. If Lifeline benefits are included in income, they will be directly offset by reductions in other means-tested programs. Protection against such offset may be complicated by the problem that the statute creating Lifeline does not exclude the benefits from income. The statute clearly contemplates that the payments will be received by the service provider, not the consumer.

The benefits should also be protected from garnishment. Again, because the statute does not contemplate direct payments to the consumer, the Commission will need to work with the Treasury Department to ensure that Lifeline benefits are properly coded to alert banks that the funds are exempt.

**Direct Payment of Lifeline Benefits may Expose Lifeline Beneficiaries to Fraud and Abuse**

As the FCC pursues its vision to expand Lifeline services to include Broadband, it is important to structure Lifeline payments to protect the population likely to qualify for Lifeline services, which is also likely to be particularly vulnerable to unfair, deceptive, misleading, and high pressure sales practices. Any broadband expansion that the FCC ultimately adopts should prevent foreseeable abuses, including;

- deceptive marketing;
- telemarketing abuse;

[95] California Lifeline Working Group Meeting Notes for July 8, 2015. http://www.cpuc.ca.gov/NR/rdonlyres/7789584D-7EA5-4962-B0BD-F6F0DCB03585/0/CaliforniaLifelineWorkingGroupMeetingNotesforjuly8.pdf

- complex pricing structures and confusing disclosures that lack transparency, making it impossible for consumers to compare products and understand the true cost of the offering;
- high fees for equipment;
- confusing contract terms;
- forced arbitration that limits access to remedies for violations of the law;
- anticompetitive cancellation policies that make it difficult to switch carriers;
- inadequate customer service and processes for resolution of billing errors;
- financial exploitation by providers and others, and;
- other unfair and deceptive practices.

Older Americans are among those who are particularly vulnerable to marketing abuses that are encouraged by inadequate and inconsistent consumer protections in a rapidly changing and increasingly high-tech marketplace. While there are, of course, many older people who are accustomed to and successful at using technology, including broadband, mobile devices, and electronic payments systems, older consumers historically have trailed younger consumers in adopting evolving technologies.[96]

Any expansion of the Lifeline program to include broadband must be designed to protect the most vulnerable, low-income segment of the population from exposure to higher costs for basic phone services and the significant risk of unfair and deceptive practices that can be anticipated in an expanding and evolving telecom marketplace.

[96] *See* Aaron Smith, *Older Adults and Technology Use*, Pew Research Center, Apr. 3, 2014, http://www.pewinternet.org/2014/04/03/older-adults-and-technology-use/ ("[M]any seniors remain largely unattached from online and mobile life—41% do not use the internet at all, 53% do not have broadband access at home, and 23% do not use cell phones."); Ron Borzekowski, Elizabeth K. Kiser, & Shaista Ahmed, *Consumers' Use of Debit Cards: Patterns, Preferences, and Price Responses*, Federal Reserve Board (Apr. 2006) (finding that the older a checking account holder is, the less likely he or she is to use a debit card).

### Direct Payment of Lifeline Benefits if Performed Electronically must Comply with the Requirement of Regulation E

Should the Lifeline benefits be delivered directly to the consumer via electronic fund transfer, AARP strongly urges providing consumers with at least the same protection they would enjoy under a supported service payment model.

In addition, if an electronic payment device is used to deliver Lifeline benefits to consumers, rather than through payment to providers to subsidize the services they provide, as is currently done, the payment devices used to deliver the electronic payments must comply with the requirements of Regulation E.[97]

Regulation E requires, among other safeguards, that if government benefits are delivered to consumers via electronic transfer, the consumer must have: choice regarding the electronic fund transfer delivery device, access to itemized and annual statements, loss liability limitations, and error resolution mechanisms, among other protections.

We also suggest that the notice given to the consumer about the option to select a different payment method prior to receiving a one time or recurring payment must be clear and prominent. Disclosures provided with the prepaid card should also clearly inform the consumer how to dis-enroll from the prepaid account if they choose to switch to another method or account at a later time.

### SNAP EBT card

The NPRM requests comment on whether the SNAP EBT card could be utilized as a means to deliver Lifeline benefits.[98] AARP believes that such an approach may be reasonable for those people who receive SNAP benefits, but it would be more desirable to have a distinct, uniform

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[97] Regulation E applies to the payment of government benefits via electronic fund transfers. *See* 12 C.F.R. §1005.15.
[98] NPRM, ¶107.

distribution platform. As noted in the NPRM, not all states encode non-SNAP benefits on the cards.[99] Thus, even with a SNAP approach the Commission will still need to find another way to deliver benefits to consumers in the non-participating states and to consumers who do not receive SNAP benefits. As noted in the NPRM, other mechanisms for the distribution of the benefit may also be possible, such as a smartphone app, or online account.[100] AARP is concerned that consumers not be required to adopt the smartphone/online alternatives, as part of the advantage of the direct payment approach is to empower consumers to make the choices that are best for them, and some consumers may not want smartphones or broadband. Regardless of the approach, if the Commission decides to use a direct payment approach, specific, enforceable consumer protection must be implemented to govern the use, loss, replacement, and unauthorized use of such cards, among other essential protections.

### Direct payment of benefits will require customer education and support

Given the transformation of the program to include broadband, it is imperative that the program be designed to provide sufficient education and support available to consumers as they utilize the benefit program. A change to the direct payment of benefits would require even more customer education and support. Both telephone support and a portal through which consumers could inquire about how to utilize the funds as well as account balances, payments, dispute payments or other customer service needs are appropriate. In addition, at the time of payment, the ETC that is paid using the benefits should be required to inform the consumer of the acceptance of the payment, and where appropriate, itemize the application of the payment on the customer's monthly bill.[101]

[99] NPRM, ¶107.
[100] NPRM, ¶108.
[101] Presumably, the benefit card approach would enable the consumer to purchase prepaid service usage cards, thus, those direct payments from the benefit card to the retailer for the top-up cards would be made under the direct supervision of the consumer. However, even in cases where the consumer is dealing directly with a retailer for a non-recurring purchase, the consumer would need to know account-related information such as when their benefit

In addition to the need for education and support for all users, the special needs of older Americans should also be taken into account. As the population of older Americans continues to increase, many will need assistance with managing their finances as they advance to increasingly older ages or experience cognitive decline. As their need for assistance increases, so too does their vulnerability to fraud and exploitation. In addition to the assistance new users will need to learn how to use broadband, discussed in greater detail above, older Lifeline customers who receive direct payments may also need guidance to help them avoid high cost equipment that they do not need or cannot use, as well as expensive add on services that can be delivered via broadband.

Should the Commission decide against the direct payment approach, and continue with the ETC-based approach, AARP has previously addressed this issue, and here reiterates its suggestions.[102] First, the underlying assistance agency should inform all applicants (on their program applications) that the information will be used to qualify the client for additional benefits, i.e., the Lifeline program, or to verify the client's continued eligibility for this benefit. Second, the ETC should send the newly enrolled Lifeline subscriber a notice of the benefits that will appear on the monthly bill and provide information on how the customer can decline to participate in the program if desired. Finally, outreach and education efforts by the financial assistance agencies, the state public service commission, and the ETCs should describe the benefits and entry methods for the program. Importantly, the transmittal of this client-specific information should be done for the sole purpose of determining eligibility and enrollment in the Lifeline program and should not be used for any other purpose. For example, it is not necessary for the client's underlying income status to be transmitted to the ETC. All that is needed is the necessary

card will be refilled. That information would need to come through a reliable approach, such as telephone or online portal.

[102] Comments of AARP, *In the Matter of Lifeline and Link Up Reform and Modernization, Federal-State Joint Board on Universal Service, Lifeline and Link Up,* WC Docket No. 11-42, CC Docket No. 96-45, WC Docket No. 03-109, April 21, 2011, pp. 7-8.

location and identification information to allow a match between the ETC's records and those of the assistance agency.

**Standardized Transparent Disclosures**

Regardless of the payment approach adopted by the Commission, Lifeline providers should be required to provide standardized disclosures regarding services; caps for phone, text, and data; costs and fees; essential contract terms, including forced arbitration, cancellation, and equipment, and; other material features. Transparent and consistent disclosures across different providers that are presented in a standardized format will allow consumers to better evaluate and compare terms of use and fees, enabling them to understand the costs, avoid harmful products, and thereby leading to a more competitive marketplace that will further drive costs down for all consumers.[103] In addition to the assistance new users will need to learn how to use broadband, discussed in greater detail below, they will also need guidance to help them avoid high cost equipment that they do not need or cannot use, as well as expensive add on services that can be delivered via broadband.

**Access to Written Statements, Terms And Conditions, And Disclosures**

Considering especially that many expanded Lifeline services envisioned under the proposed rule are designed to make broadband services available to those who otherwise have limited or no access to them, it is essential to provide account statements, disclosures, contract and cancellation terms, and other material information in hard copy format. It is not reasonable to expect the target population—that may not have previously had access to broadband and other

[103] According to a study from February 2014, only 32% of consumers compared products when buying a GPR prepaid card. Pew Charitable Trusts, *Why Americans Use Prepaid Cards: A Survey of Cardholders' Motivations and Views* 6 (Feb. 2014), *available at* http://www.pewtrusts.org/~/media/legacy/uploadedfiles/pcs_assets/2014/PrepaidCardsSurveyReportpdf.pdf [hereinafter Pew Survey Report].

electronic media—to have adequate facility and comfort with broadband to enable them to immediately transition to electronic delivery of statements, terms and conditions, and disclosures about such services.

In particular, if the Commission chooses to make benefit payment directly to consumers, they need access to their account statements for a long period of time. A person who has access to a computer printer may be able to preserve account statements delivered electronically by routinely printing or saving transactions, but many low-income and older Americans do not have computer and printer access, or need the assistance of third parties to effectively understand and review such statements.[104] Indeed, this gap is implicit in the Commission's vision to increase this population's access to Broadband via the Lifeline program. Moreover, if consumers dispute a charge, or are targets of exploitation or fraud, it may take months to recognize a problem and months or years longer to complete a fraud investigation or resolve a dispute or problem with a service provider.

## Streamlining eligibility

The NPRM requests comment regarding which federal assistance programs should be utilized going forward as potential Lifeline qualifiers. The current list of acceptable programs includes:

Medicaid;
Supplemental Nutrition Assistance Program (Food Stamps or SNAP);
Supplemental Security Income (SSI);
Federal Public House Assistance (Section 8);
Low-Income Home Energy Assistance Program (LIHEAP);
Temporary Assistance to Needy Families (TANF);
National School Lunch Program's Free Lunch Program;
Bureau of Indian Affairs General Assistance;
Tribally-Administered Temporary Assistance for Needy Families (TTANF);
Food Distribution Program on Indian Reservations (FDPIR);
Head Start (if income eligibility criteria are met);
or State assistance programs (if applicable).

[104] *See* Smith, *supra* note 9.

AARP does not believe that it is appropriate to modify the list at this time, and the NPRM offers no rationale for why current qualification programs should be omitted. The NPRM asks what would be the impact on Medicaid recipients if households could not qualify for Lifeline under Medicaid.[105] Clearly, for the 26 million households that receive benefits under Medicaid,[106] and who thus currently qualify for Lifeline support, dropping this program from the eligibility list would introduce disruption. As the NPRM offers no rationale for dropping Medicaid from the list, the Commission should continue to include Medicaid as a Lifeline qualifier. The NPRM mentions the potential to expand the eligibility criteria to include those who receive Veterans Pension benefits, and given that those benefits are means tested on the basis of both low-income status, and net worth limitations,[107] AARP believes that it is appropriate to include this program. With regard to eligibility, AARP also encourages the Commission to:

- Raise the income eligibility for Lifeline from 135 percent of the federal poverty level to at least 150 percent, which is a common threshold used by other federal low-income assistance programs, such as the Low-Income Home Energy Assistance Program;
- Require all states who currently have more unfavorable eligibility requirements to use the federal default eligibility criteria for Lifeline; and,
- Allow the management of a shelter, group home, or nursing facility to certify the nature of the facility, so that multiple residents at an address could separately qualify for and receive Lifeline service.

## Standards for eligibility documentation

Submission of eligibility documentation was one of the areas that the Government Accountability Office identified as a weakness in the current program. The GAO noted that:

> Some households may be unable to submit copies of their eligibility documentation such as a SNAP benefit card with their applications. As mentioned earlier, ETCs are now

[105] NPRM, ¶113.
[106] NPRM, ¶115, footnote 237.
[107] NPRM, ¶115.

> required to verify eligibility, which is often done by reviewing documentation. Consumers submitting applications need to send copies of documentation, but may be unable to do so due to a lack of access to equipment such as scanners or photocopiers. According to representatives from one ETC, this may result in consumers failing to complete the application. In addition, some consumers may have difficulty providing required documentation to prove eligibility, such as tax returns or Social Security statement of benefits.[108]

As the GAO correctly notes, access to technology that higher-income households take for granted, such as scanners, copiers, and on-line access may be difficult for a low-income household to procure. Likewise, possession of a government issued photo ID, which the NPRM indicates would "improve the identification verification process"[109] is less likely among those who would be likely to benefit from the Lifeline program. As noted by the Brennan Center for Justice at the New York University School of Law:

> Studies show that as many as 11 percent of eligible voters do not have government-issued photo ID. *That percentage is even higher for seniors, people of color, people with disabilities, low-income voters, and students. Many citizens find it hard to get government photo IDs, because the underlying documentation like birth certificates (the ID one needs to get ID) is often difficult or expensive to come by*.[110]

Until the federal government implements a program that enables citizens to receive government-issued photo IDs at little or no cost, AARP believes that it is best not to implement a government-issued photo-ID requirement. The NPRM's discussion of the standards for eligibility also assumes that potential Lifeline customers will be dealing with the Lifeline provider when establishing eligibility.[111] AARP notes that that Lifeline-provider certification of eligibility may become a moot issue if a national verifier is employed and the Lifeline benefits are awarded directly to the consumer, which the NPRM elsewhere proposes.[112] AARP believes that if the direct payment option is pursued, that all verification of eligibility should be

[108] GAO, "FCC Should Evaluate the Efficiency and Effectiveness of the Lifeline Program," March 2015, p. 28.
[109] NPRM, ¶120.
[110] https://www.brennancenter.org/analysis/voter-id , emphasis added.
[111] "We seek comment on requiring Lifeline providers to obtain additional information to verify that the eligibility documentation being presented by the consumer is valid and has not expired." NPRM, ¶120.
[112] NPRM, ¶¶104-110.

performed by the entity that distributes the benefits to the consumer, and given competitive concerns, that entity cannot be an ETC. If a third-party administrator is utilized, a standardized set of requirements associated with eligibility documentation should be established.

### Increasing competition for Lifeline

AARP strongly supports the NPRM's vision for increased competition for Lifeline customers. AARP is concerned, however, regarding the NPRM's proposed approach. The NPRM's proposals for modification of the ETC designation are difficult to respond to given that the proposal does not reference other proposals in the NPRM that could have a significant impact on the role of ETCs. For example, should the Commission adopt the direct payment of benefits, the ETC designation process would appear to become more simple, as service providers would become much less involved with the administration of the Lifeline program, and would need to indicate that they would accept the payment of benefits, and also establish the basic Lifeline offerings. Use of a national verifier, and the direct issuance of a benefits card, or other payment mechanism to consumers, would provide a simple choice to providers of telecommunications services—i.e., whether or not to offer the required Lifeline services and whether to accept the benefits as payment. Depending on the degree of competition, service providers that choose to accept the benefits would then have incentives to compete for customer dollars, but the degree of competition in a specific market area remains an important unanswered question. The Commission should continue to monitor competitive conditions in markets associated with its Lifeline program.

The NPRM also points to requests made by some carriers to be relieved of ETC responsibilities associated with the provision of Lifeline service.[113] Given that carriers associated with this request may be the only provider of wireline voice services in the areas that they serve, AARP is

[113] NPRM, ¶125.

concerned that the requested relief would force Lifeline customers into a wireless-only option for voice, and the inappropriateness of wireless-only for certain segments of the population is clear to AARP.[114] In addition, because there are many unsettled issues with regard to the retirement of wireline facilities, AARP does not support the relief that is being requested.

To the extent that ETCs continue to be involved in the administration of the Lifeline program, AARP is opposed to an approach to "increasing competition" that would increase the likelihood unscrupulous Lifeline providers would enter the market.

As the Commission explores the means to increase competition among providers, such as by incorporating methods into the direct payment mechanism, it is imperative that customer choice not be constrained by anticompetitive or unfair practices. Consumers must retain the ability to terminate service and switch providers, and the means to do so should be transparent to them. It is easy to imagine service providers attempting to draw benefits from an account past the service termination date, imposing early termination or equipment fees, or slamming a customer's account. Care would have to be exercised by the national verifier to guard against such competitive abuses. A customer desiring to switch providers would contact the benefit administrator, and inform the benefit administrator of the service changeover. That process could be performed with the new service provider's knowledge, such as through a portal at the new service provider's point of sale. Moreover, the old service provider should not be permitted to charge the customer for service after the switchover date.

## Non-usage period

In the *Lifeline Reform Order* the Commission addressed the potential for waste, fraud, and abuse associated with grants of Lifeline support that were ultimately not utilized by the subscriber:

[114] See, AARP Comments, *In the Matter of Technology Transitions, AT&T Petition to Launch a Proceeding Concerning the TDM-to-IP Transition,* GN Docket No. 13-5, WC Docket No. 12-353, March 31, 2014

> Other ETCs, however, particularly those offering pre-paid services, do not charge for service on a monthly basis and do not have a regular billing relationship with the subscriber, or other similar relationship to track activity by the subscriber. Our current rules do not require ETCs to ensure the qualifying low-income consumer is actually using the Lifeline-supported service. As a result, some ETCs may seek and receive Lifeline support for a consumer who has abandoned the service, transferred the service to someone else, or failed to use the service at all. This wastes Lifeline support, because the program is not actually benefiting the consumer for which it is intended. To address this situation, the Commission and some states have imposed "non-usage" procedures on some pre-paid wireless ETCs in order to eliminate payments from the Fund for enrolled Lifeline subscribers who are no longer using the service.[115]

The *Lifeline Reform Order* then imposed a 60-day non-usage period to address this issue.[116] The NPRM proposes to reduce the 60-day period to 30 days. AARP is concerned that a 30-day non-usage period may be too short, especially in light of the fact that current prepaid Lifeline plans provide a minimal level of usage, which delivers incentives for consumers to restrict usage of the service. Given that the current 60-day non-usage disconnection requirement is "for any period of time,"[117] application of a similar approach to a 30-day period places infrequent users of the supported service at risk of inappropriate service deactivations. Consumers should be notified in advance of non-usage termination and be given the opportunity to reaffirm their interest in continuing in the program.

The NPRM also requests comment on whether text messaging is sufficient usage to prevent de-enrollment.[118] Given that AARP recommends that text messaging become a supported service, and that text messaging has become an integral component of the use of mobility services,

[115] *In the Matter of Lifeline and Link Up Reform and Modernization, Lifeline and Link Up, Federal-State Joint Board on Universal Service, Advancing Broadband Availability Through Digital Literacy Training,* WC Docket No. 11-42, WC Docket No. 03-109, CC Docket No. 96-45, WC Docket No. 12-23, Report and Order and Further Notice of Proposed Rulemaking, February 6, 2012, ¶255. (Hereinafter, *Lifeline Reform Order.*)
[116] *Lifeline Reform Order,* ¶257.
[117] *Lifeline Reform Order,* ¶257.
[118] NPRM, ¶143.

including the FCC's adoption of text-to-911 rules,[119] the time is ripe to recognize text messaging as approved usage for maintaining the continuity of service. As discussed by AARP elsewhere in these comments, the Lifeline offering should include unlimited text messaging, especially if voice service remains restricted.

However, it is also important to note that the NPRM's proposal to pay benefits directly to consumers would have an impact on the service deactivation issue. If consumers control the use of benefits, then the ETC would no longer be able to seek payment from customers who have stopped using their service. Rather, the Lifeline customer's lack of payment to an ETC would cause service to be terminated, presumably due to the fact that the Lifeline customer has selected another service provider. Consumers should not be billed out of pocket after Lifeline service has been terminated.

AARP recommends that the non-usage period remain at 60 days; should the Commission reduce the non-usage period, AARP recommends 45 days instead of 30 days.

## Conclusion

The NPRM raises important questions, and AARP applauds the Commission for embracing the extension of Lifeline benefits to essential new technologies. AARP urges the Commission to recognize that the expansion of supported services will require additional funding, and failure to appropriately raise those funds will potentially threaten the existing Lifeline support for voice services. AARP encourages the Commission to take measured steps to reforming the Lifeline program at this time, and to seek further input from interested parties as it establishes the foundations for a reinvented Lifeline program.

[119] *In the Matter of Facilitating the Deployment of Text-to-911 and Other Next Generation 911 Applications Framework for Next Generation 911 Deployment*, PS Docket No. 11-153, PS Docket No. 10-255, Second Report and Order and Third Further Notice of Proposed Rulemaking. August 13, 2014.